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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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AGRICULTURAL INCOME FROM PRODUCTION IN 1935
AND ITS EFFECT ON FARMERS' PURCHASING POWER

The gross income from farm production for 1935 is tentatively estimated at \$8,110,000,000, compared with \$7,266,000,000 for 1934 and \$5,337,000,000 in 1932, the low point of the depression. Although gross income in 1935 is still only 68 percent as large as the income received in 1929, it is considerably larger than in any other year since 1930. Rental and benefit payments have made material contributions to farm income since 1933 and are included in the above estimates, but the amount of such payments on 1935 adjustment programs was less than for 1934. Present indications are that the rental and benefit payments on the crop adjustment programs of 1935 will be about \$480,000,000 compared with \$594,000,000 paid on 1934 programs.

Cash income from 1935 production will be about \$6,900,000,000, an increase of 10 percent over the cash income received from production in 1934. ^{1/} However, the value of goods retained for home consumption is expected to be about \$1,200,000,000 or about 16 percent larger than the \$1,037,000,000 in 1934. The relatively greater increase in the value of products retained for home consumption this year is the result of better conditions for farm gardens and the marked increase in prices and relatively stable farm consumption of livestock products which make up a large part of the total value of all farm products consumed in the farm home.

Farmers' expenditures have again increased less than gross income so that the actual position of the farm operator has improved more during the past year than is indicated by the increase in gross income. Although farm expenditures for production can be only tentatively estimated at this time, it appears likely that the increases in farmers' current expenditures for production and for wages to hired labor were only moderate, the increase being partly offset by lower interest rates on farm mortgages. No marked increase in tax levies on farm property is anticipated for 1935. Present indications are that the farmers' current production expenses plus wages, taxes, interest, and rent payable, and depreciation of buildings and equipment will amount to about \$4,000,000,000 in 1935 compared with \$3,832,000,000 in 1934. Such a deduction for production expenditures would leave an income available to farm operators for their labor, capital, and management of about \$4,110,000,000. While this is the largest return to farm operators for any year since 1929 and is nearly three times as large as in 1932, it is still only 72 percent as large as the \$5,669,000,000 available to farm operators in 1929.

^{1/} This estimate of cash income from farm production is the cash value at prices prevailing in the crop marketing year of that portion of 1935 agricultural output to be sold by farmers, and should not be confused with the estimates of cash income from farm marketings, which, for any year, are the sum of the 12 monthly cash income estimates and indicate the amount of money received by farmers in a given period of time from the sale of farm products and from actual payments on adjustment programs.

Gross income from farm production and rental and benefit payments by groups of commodities, 1932, 1934, and 1935

Source of income	Gross income from production			Benefit payments		Gross income and benefit payments	
	1932	1934	1935 prel.	1934	1935 prel.	1934	1935 prel.
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Crops:							
Grains.....	452	536	700	213	239	749	939
Fruits and nuts....	324	464	500	---	4	464	504
Vegetables.....	611	701	775	---	---	701	775
Sugar crops.....	69	61	70	25	21	86	91
Cotton and cotton-seed.....	464	1/706	2/750	116	127	822	877
Tobacco.....	108	1/224	235	36	17	260	252
Other crops.....	267	351	370	---	---	351	370
Total crops.....	2,295	3,043	3,400	390	408	3,433	3,808
Livestock and livestock products:							
Meat animals and wool.....	1,153	1,514	1,800	204	72	1,718	1,872
Poultry and eggs...	609	664	800	---	---	664	800
Dairy products.....	1,260	1,421	1,600	---	---	1,421	1,600
Other.....	20	30	30	---	---	30	30
Total livestock...	3,042	3,629	4,230	204	72	3,833	4,302
Total crops and livestock.....	5,337	1/6,672	7,630	594	480	7,266	8,110

1/ Revised.

2/ Estimate includes price adjustment payment for 1935.

The above statement is a brief summary of the changes in the return to farmers from production in 1935 as compared with 1934. The estimate for 1935 is preliminary, being based upon preliminary estimates of production given in the December Crop Report and tentative estimates of the amounts of the different crops which will be sold and the seasonal average of prices. A more complete statement on income from farm production by States and by commodities and on farmer expenditures in 1935 will be made near the end of the marketing year. An indication of the change in income from the different groups of farm products from 1934 to 1935 is given in Table 1.

There was a pronounced increase in income from both crops and livestock from 1934 to 1935. While the increase in income from all kinds of livestock and livestock products was fairly general, the increase in income from crops was most marked in the case of grains, vegetables, and sugar crops.

The increased income from grains, livestock and livestock products has been largest in the northwestern region, especially the western half, where the drought was most severe last year. The increase in income from livestock and sugar crops has also greatly increased the income in the mountain and far western States where these commodities are important sources of income. For the southern States as a whole, the larger production of cotton and tobacco and the increased income from livestock items are offsetting the lower prices for tobacco and cotton, and total income in the South will show a small increase in comparison with 1934. Increased income from apples, potatoes, and dairy products has resulted in moderate gains in income in the Middle Atlantic and New England States.

Increased income result of higher prices

Practically all of the increase in farm income from 1934 to 1935 has been due to the increase in the general level of farm prices as farm production in 1935 was apparently about the same as in 1934. Prices for the principal crops thus far in the marketing season have been somewhat lower than a year earlier, but this has been more than offset by the marked increase in prices of livestock and livestock products, and the general level of all farm prices during the marketing year for 1935 production will average somewhat higher than during the period when 1934 crops were being marketed. During the first 11 months of 1935 prices of meat animals have averaged 74 percent higher than in the corresponding period of 1934, chicken and egg prices were 34 percent higher and dairy products were up about 14 percent.

The marked shifts in agricultural production from 1934 are indicated in the index numbers in Table 2. In 1935 grain production was 65 percent higher, tobacco 19 percent higher, and cotton production 12 percent higher than in 1934. There were also moderate increases in the production of fruits and vegetables and truck crops so that the total production of all crops was 21 percent higher in 1935 than in 1934 and was the same as in 1933.

Index numbers of the volume of agricultural production 1919 - 1935 ^{1/}

(1924-29 = 100)

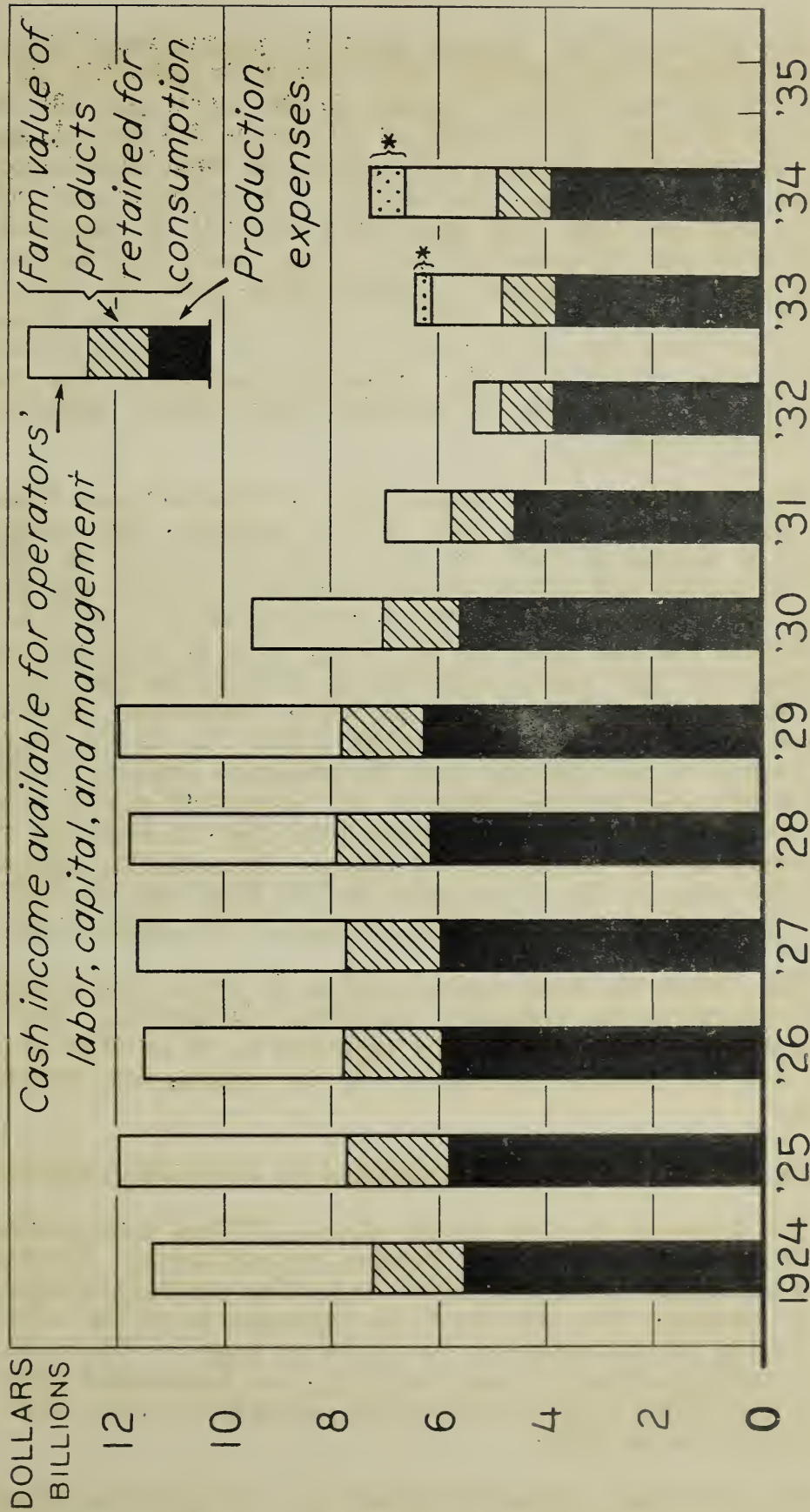
										All :
										live-:
		Fruits:		Cotton :				Poul-:	stock:	
		and	Truck:	and	All :	Meat	Dairy:	try :	and :	
Year	Grains:	vege-	crops:	cotton-:	crops:	animals:	prod-:	prod-:	live-:	Total
	tables:		seed :				ucts :	ucts :	stock:	
									prod-:	
									ucts :	
1919	104	84	58	76	89	93	78	74	86	87
1920	117	100	70	88	101	91	77	74	83	91
1921	102	75	61	53	77	92	83	85	87	83
1922	100	108	81	65	89	102	87	88	94	92
1923	100	103	79	67	90	107	91	98	99	95
1924	102	96	91	91	96	102	94	91	97	97
1925	98	90	96	107	99	97	96	94	96	97
1926	96	109	93	120	106	98	99	99	98	102
1927	103	94	105	87	95	101	102	105	102	99
1928	108	117	102	97	106	101	103	106	103	104
1929	93	94	113	99	97	101	106	106	104	101
1930	85	106	113	92	95	101	107	109	105	101
1931	89	115	109	112	104	107	110	109	109	107
1932	85	101	113	86	90	106	110	105	107	100
1933	61	99	105	86	82	108	110	106	109	97
1934 ^{2/}	41	102	114	64	68	115	106	102	110	91
1935 ^{2/}	67	110	115	72	82	90	106	93	98	91

Bureau of Agricultural Economics.

1/ These index numbers are based on estimates of production of farm products for sale or for consumption in the farm home. Products fed to livestock, used for seed or in other forms of production are not included. Only the amounts of corn and oats sold for grain and only that part of the hay crop sold from farms are included. Production of meat animals is represented by total slaughter including slaughter for farm use. The index number of dairy products production represents total milk produced for all purposes except whole milk fed to calves. Calendar-year production of livestock and livestock products is compared with crop production of the same year. Each group index as well as the total is obtained by multiplying the yearly quantities by a 1924-29 average farm price received by producers for each of the commodities, and the sum of these yearly values at average prices, divided by the corresponding average sum for the period 1924-29 taken as 100. The commodities included in constructing the index contributed about 93 percent of the gross income from agricultural production during the years 1924-29. The commodities included in each group are: Grains - wheat, corn, oats, barley, rye, buckwheat, flaxseed, rice grain sorghums; fruits and vegetables - grapes, apples, apricots, peaches, pears, cranberries, figs, grapefruit, oranges, lemons, olives, potatoes, sweetpotatoes, dry edible beans; truck crops - asparagus, snap beans, beets, cabbage, cantaloups, carrots, cauliflower, celery, cucumbers, eggplant, lettuce, onions, peas, peppers, spinach, strawberries, tomatoes, watermelons; cotton and cottonseed; all crops include tobacco and hay in addition to all previous items; meat animals - cattle, calves, sheep, lambs, hogs; dairy products - milk total production less milk fed to calves; poultry products - chickens and eggs; all livestock and livestock products include wool in addition to the livestock and livestock products mentioned; the total index is the combined index of all crops and all livestock and livestock products.

^{2/} Preliminary.

Distribution of Gross Income from Farm Production, 1924 to Date



The effect of the drought upon the production of livestock and livestock products was probably more severe in 1935 than in 1934. Many livestock herds were further reduced in the early part of 1935 due to the shortage of feed and the feeding of livestock for market, and the production of livestock products was restricted until feed supplies became available from 1935 crops. The shortage of feed was also reflected in a smaller calf and lamb crop than would normally be expected, because of the poor condition of livestock over large areas last winter and spring. The 1935 lamb crop was about 7 percent below 1934 with the estimated number of breeding ewes the smallest since 1929 and the number of lambs saved per 100 ewes the second smallest in the 12 years for which estimates have been made. There was also a marked reduction in the calf crop of 1935 due to the sharp drop in breeding stock and the small number of calves per 100 cows.

The reduction in the production of livestock and livestock products in 1935 was greatest in the case of meat animals. Hog production during the first 11 months of 1935 was only about 58 percent of 1934 and the production of cattle and calves for commercial slaughter was about 94 percent of 1934. Milk production in 1935 was higher than in 1934 in most of the summer months but was lower in the early part of 1935 and has been running lower than last year since September so that production for the year as a whole may be about the same as in 1934. Marketings of both poultry and eggs thus far in 1935 have been below 1934. Due to the sharp reduction in the output of meat animals and the moderate decline in the output of poultry products, the production of all livestock and livestock products in 1935 is probably about 11 percent less than in 1934 and about offsets the increase in the production of crops. Consequently agricultural production for sale or for consumption in the farm home in 1935 will be about 91 percent of the 1924-1929 average or the same as in 1934.

The effect of these marked shifts in prices and production of agricultural products upon income is indicated in Table 1. The 1935 income from all groups of commodities is expected to be as high or higher than in 1934 but the greatest increases are in grains, meat animals and poultry and eggs.

Increased income of farmers accompanied by increased purchases

The increase in farm income since 1932 has been accompanied by a relatively small increase in farmers expenditures. Consequently the increase in income available after deducting production expenses has been unusually marked. The extent of the increase in income available for family living is indicated in the chart on page 5. The cash income available for farm operators, labor, capital, and management from 1935 production, including rental and benefit payments was over five times as large in 1935 as in 1932.

The increased income of farmers in 1935 has been accompanied by marked increases in purchases of commodities both for the family and for production. The increase has been most noticeable in the case of clothing, house furnishings, farm machinery, automobiles, and building materials.

Retail sales by general stores in small towns under 5,000 during the first 11 months of 1935 have averaged 19 percent above 1934 and were 79 percent of 1929. If the change in the price level of commodities is considered, the volume of sales by these stores has ~~apparently~~ been almost as large as in 1929. Sales by mail order houses, where farmers also purchase a large part of their supplies, were larger during the first 11 months of 1935 than during any other year except 1929, and, if allowance is made for changes in the price level of goods handled by these stores, the volume of sales was the largest on record. Although these indicators reflect only a part of the farmers total purchases, they are evidence that the increase in farm income has not only enabled farmers to improve their standard of living to more nearly the level prevailing in 1925-1929, but also that the increase in farmers purchasing power has been instrumental in improving economic conditions all along the line from the retail merchant in small towns back to the manufacturer and the producer of the raw materials.

Although the evidence available at the present time indicates that farmers have also greatly increased their expenditures for commodities for use in production, the level of purchases for production is still apparently somewhat lower relative to 1925-1929 than the expenditures for commodities for the farm family. Purchases of farm machinery increased sharply in 1935 but were still only about 60 percent as large as in 1929. The sale of automobiles and trucks in 1934 was more pronounced in the rural areas than in industrial centers, and preliminary indications are that this same situation has continued in 1935, but farmers purchases of automobiles and trucks in 1935 apparently were still only about two thirds as large as in 1929. Also there was a marked increase in farmers expenditures for buildings and repairs in 1935, but expenditures continue to be considerably below the amount necessary to maintain the present condition of buildings on farms. Farmers expenditures for capital items in 1935 apparently were below the depreciation of such items indicating that farmers are still using up their capital goods faster than they are replacing them, a condition which is common in periods of low income and one that has prevailed since 1930.

